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SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Friday, 20 November 1998, at 10 a.m.

President: Mr. PITTALUGA FONSECA (Uruguay)

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The meeting was called to order at 10 a.m.

STATEMENT BY THE STATE SECRETARY, MINISTRY OF FOREIGN AFFAIRS OF AUSTRIA

1. **Ms. FERRERO-WALDNER** (State Secretary, Ministry of Foreign Affairs of Austria) said that a new sense of direction had been instilled into UNIDO since the appointment of the new Director-General. Following the completion of the most pressing administrative reform measures, the phase of programmatic reform had begun. In that effort, niches had been sought in international cooperation where UNIDO had a comparative advantage, leading to elaboration of the new integrated service packages. On Africa Industrialization Day, it should be remembered that the African States, particularly the least developed countries (LDCs), still lacked the basic infrastructure for developing their own industrial capacity. It was therefore appropriate that the first projects developed under the new programmatic approach should target Africa's LDCs.

2. The Consultation Meeting on Industrial Partnership and Investment in Africa to be held in 1999 between donor countries, agencies of the United Nations system and the private sector would also serve as a forum for funding the new UNIDO projects. The Business Plan on the Future Role and Functions of UNIDO enabled the Organization to make an important contribution in some cutting-edge areas of international cooperation, for instance, with regard to climate change. If international efforts in that field were to be successful, the transfer of technology to developing countries was essential, and it was there that UNIDO had an important role to play, with its well-established expertise in cleaner production. The Organization could also make a valuable contribution to the elaboration of the rules governing the clean development mechanism, whose accelerated implementation had been decided on at the recently held meeting of the parties to the Climate Change Convention.

3. The technical cooperation service modules constituted one of the most outstanding characteristics of the reform process and would enable UNIDO to provide tailor-made projects to meet specific requests of beneficiary countries. The greater orientation of the Organization towards its beneficiaries was further accentuated by the efforts to transfer resources and responsibility from Headquarters to the field.

4. In parallel, beneficiary countries were striving for enhanced representation at Headquarters. She therefore welcomed the establishment of the Group of 77 Chapter in Vienna and urged the Secretariat to pursue its negotiations concerning related cost-sharing arrangements with other Vienna-based agencies. The Vienna Office should be placed on an equal footing with the New York and Geneva Offices in regard to the representation of the Group of 77.

5. At the Director-General's recent briefing of the Administrative Committee on Coordination on the state of the UNIDO reform process, the attitude of Member States towards the Organization, as expressed by the delegations present in New York, could be seen to have markedly changed for the better. UNIDO's reform had become a success story in the United Nations.

6. The Organization would have to prove the success of its transformation by its service delivery. The financial commitment of the donor community was thus of the utmost importance. All delegations should help to ensure that UNIDO's efforts were of benefit to the poorest countries of the world.

The meeting was suspended at 10.15 a.m. and resumed at 10.25 a.m.

PROGRAMMATIC REVIEW, INCLUDING SYSTEM-WIDE ISSUES (IDB.20/12, IDB.20/13, IDB.20/14, IDB.20/15; IDB.20/CRP.2)

FIELD REPRESENTATION (IDB.20/16, IDB.20/CRP.4)

PERFORMANCE INDICATORS (IDB.20/17, IDB.20/CRP.5)

7. **Mr. SULEIMAN** (Sudan) said that his delegation was pleased to note the high degree of priority given to Africa in the work of UNIDO. He hoped that it would be possible to make up for lost ground in Africa and that the Plan of Action for the Alliance for Africa's Industrialization could be successfully implemented.

8. UNIDO projects implemented during the last decade in Sudan had lacked impact and focus. He therefore welcomed the Organization's new integrated programmatic approach, comprising specific service modules, which bore the qualities of relevance and effectiveness.

9. New intellectual frontiers had to be explored and a viable and sound vision of development needed to be shaped, leading to concrete projects characterized by functionality and efficacy.

10. He deplored the inequities and handicaps prevailing in the international scene. While complaints were voiced about the inadequacy of constructive cooperation, vast resources were being wasted on ill-advised political

activities, the cost of which would more than meet the shortfall in UNIDO's funding.

11. **Mr. KUYAMA** (Joint Inspection Unit (JIU)) said that, in addition to the four JIU reports indicated in the Director-General's report (IDB.20/15) as being of direct relevance to UNIDO, the report on publications (JIU/REP/97/2) might also be of interest to the Board, although its recommendations were addressed primarily to the General Assembly and the United Nations Secretariat. The JIU report summaries contained in document IDB.20/15 adequately reflected the content of the reports and recommendations in question.

12. General Assembly resolution 50/233 had stressed that the impact of JIU on the cost-effectiveness of activities within the United Nations system was a shared responsibility of the member States, JIU and the secretariats of the organizations. The resolution also pointed out that JIU reports should be considered under the appropriate substantive agenda items, that legislative bodies should take concrete action on JIU recommendations, and that the recommendations approved by legislative bodies should be systematically followed up. He therefore hoped that the Board would review the current practice of handling JIU reports with a view to enhancing the contribution of JIU to the effective management and operation of UNIDO's activities.

13. **Mr. CLERISME** (Observer for Haiti) said that it was encouraging to note the number of field offices maintained by UNIDO and the action being taken to fill the existing vacancies. However, his delegation was greatly concerned that Haiti was the only least developed country in the Latin American and Caribbean region not to have a UNIDO Representative. The assignment of Associate Experts financed by donor countries was an interesting initiative which should be intensified, since their presence could make up for the absence of a UNIDO Representative. Some countries had not only a UNIDO Representative but also two or even three Associate Experts assigned to them, while others that greatly needed them had none. Efforts should therefore be made to meet the needs of other Member States, particularly least developed countries, which had neither a UNIDO representative nor an associate expert. He hoped that at least an Associate Expert could be assigned to Haiti, bearing in mind that it was a French-speaking country and that the language barrier would remain even if the focal point in Cuba or Ecuador could operate as a channel of communication. That would be consistent with the programme of cooperation between UNIDO and the World Trade Organization (WTO) concerning the implementation of the integrated framework for trade-related technical assistance in support of LDCs.

14. He was glad to note that UNIDO would contribute to the follow-up action on Haiti's technical assistance needs as identified at the high-level meeting held at WTO in October 1997. The presence of an Associate Expert could only increase the chances of success of UNIDO's technical assistance. The Board should take the information contained in document IDB.20/16 as a basis for strengthening the Organization's field representation and should give due consideration to the needs of Haiti.

15. As a follow-up to the high-level meeting, his Government intended, with the support of the United Nations Development Programme (UNDP), to organize a sectoral round-table meeting on trade-related activities in January 1999. UNIDO could be invited to attend that meeting if it so wished.

16. **Mr. ABU** (Ghana) said that his delegation noted with appreciation UNIDO's collaborative efforts to implement the programmes of the Second Industrial Development Decade for Africa (IDDA) and the Alliance for Africa's Industrialization, which would help achieve the objectives of the Business Plan through a multidisciplinary approach. Since the severe limitation of financial resources was one of the major obstacles to the development of the African continent, the mobilization of funds was crucial to the success of the Second IDDA and the Alliance. The active participation of all relevant bodies and organizations, including donor and international agencies, was vital at the preparatory stage. His country was prepared to share and explore with UNIDO various possibilities for identifying pilot countries in Africa in which UNIDO's new products could be put to the test.

17. The organization of a consultation meeting on industrial partnership and investment in Africa was a positive step. His delegation welcomed the widening of the scope of the conference beyond funds mobilization, for the purpose of initiating partnerships between the international community and actors in the industrialization of Africa. That would lead to consensus-building and the commitment of all parties to the projects initiated.

18. With regard to field representation, the significant progress made in filling vacant posts was indicative of the Director-General's commitment to the decentralization of UNIDO's activities, as the developing countries were becoming more aware that industrialization was the key to the eradication of poverty. With their semi-autonomous status, the field representatives would be better placed to make a more positive impact, which would be facilitated by regular consultation with Governments and the private sector. Ghana welcomed the steps taken to establish focal points in countries which did not have UNIDO

Representatives and supported the decision to operate five subregional offices. Decentralization and the delegation of authority to the field would further enhance the effectiveness of the Organization.

19. **Mr. KERMANSHAH** (Islamic Republic of Iran) said that the importance of industrialization as a dynamic instrument for economic and social development was undeniable. Despite the efforts and achievements of more than three decades, a lack of adequate resources and access to appropriate technology meant that many nations were still in the early stages of their development. UNIDO should play a crucial role in promoting the capacity of developing countries to take advantage of the global economy. His delegation was encouraged by the views of the Director-General in his opening statement at the current session regarding systemic change and the transformation of the Organization.

20. While welcoming the new service modules to improve the process of project formulation, his delegation wished to emphasize the need for conformity to the Business Plan. Technical cooperation among developing countries (TCDC) should also be taken duly into account. Service provision should be more flexible and tailored to the specific needs of individual countries. Some services, such as continuous improvement and quality management, energy efficiency, pollution control and waste management, and entrepreneurship development, were strategically more important than others.

21. UNIDO's ability to implement its programme depended on the availability of resources. The situation was aggravated by the tremendous decline in the regular budget over the current and last bienniums. It was important for all Member States to fulfil their financial obligations. However, the settlement of arrears owed by the former major contributor, representing nearly 57 per cent of the total outstanding contributions, would substantially relieve UNIDO's financial situation and should be given priority.

22. The current strategy for funding UNIDO's technical cooperation activities, based on both assessed and voluntary contributions, was not sufficient to meet the challenges ahead. Funds mobilization also required the enhancement of UNIDO's ability to bring together the valuable experiences and resources of Member States, and to operate as a demand-oriented and competitive organization supported by marketing activities.

23. The delegation of the Islamic Republic of Iran was in favour of strengthened collaboration between UNIDO and the United Nations International Drug Control Programme (UNDCP) on matters related to illicit narcotic drugs, the cause of deep concern in the Asian and Pacific region, mainly as a result of illegal cultivation in Afghanistan. With regard to UNIDO activities in support of Asia and the Pacific, as described in document IDB.20/14, most countries of the region were facing great difficulties in pursuing their industrial development and could benefit considerably from the Organization's assistance. The efforts of the Asia and the Pacific Bureau in identifying, formulating and implementing relevant programmes for that vast region were appreciated.

24. In his country, due attention was being paid to the application of environmentally friendly technologies, through industrial energy efficiency, reduction of air pollution and disposal of industrial pollutants. In addition to some Montreal Protocol projects already in process of implementation in close cooperation with UNIDO and UNDP, his Government was considering similar environment-related projects in cooperation with UNIDO, the Global Environment Facility and interested organizations. During the year, there had been closer dialogue with UNIDO's senior management on new investment promotion projects. Also, his country's human resource potential and research centres could be used by UNIDO within the framework of TCDC.

25. With regard to the field representation programme and delegation of authority to the field offices, the delicate process of establishing subregional offices would need to be closely coordinated in consultation with the Member States concerned. Constructive negotiations had taken place with the Secretariat with a view to further strengthening field representation in the Asia-Pacific region, through the establishment of a field office in Tehran. His Government's contribution would include suitable premises, office equipment and vehicles, and the salary of the National Professional Officer.

26. **Mr. FIGUEROA FISCHER** (Mexico) said that a particularly important subject for Mexico was the strengthening of field representation throughout the United Nations system. At a crucial time in the transformation of the Organization, the presence of offices and representatives needed to be reviewed, especially since the rationalization of resources had become a priority both for the United Nations and for its Member States. The implications of the relevant report prepared by the Joint Inspection Unit (JIU/REP/97/1) were far-reaching and should be seriously taken into account in the formulation of UNIDO's strategy regarding the field representation programme.

27. The Mexican delegation was concerned that there was no mention of that JIU report or its conclusions in the Director-General's report on field representation (IDB.20/16).

28. The emphasis placed on inter-agency cooperation, especially with UNDP and other entities of the United Nations system, was welcome. Despite UNIDO's commitment to the concept of coordination and unification of United Nations field representation, the delicate issue of financing UNIDO field offices appeared not to follow that global approach. The Secretariat had informally circulated draft cooperation agreements with host countries which ignored the first recommendation of report JIU/REP/97/1 that organizations and Governments should seek to reach a basic government agreement covering the entire United Nations presence. Also, those agreements did not deal with the question of coordination between different offices, thus ignoring the fifth recommendation that organizations represented in the field should intensify their efforts to establish and/or enhance common premises and services. On the contrary, the draft agreements referred to office space and staff for the exclusive use of UNIDO. Such an approach would mean the loss of a spirit of unity within the United Nations system and the wastage of scarce resources. According to the JIU report, the use of common facilities and services had contributed to improved coordination and could be the backbone for a more efficient and cost-effective United Nations family in the field. In the interests of countries that could not assume additional financial commitments, the reduction of office costs should be a priority consideration.

29. When examining the question of financing field offices, the Secretariat should take those recommendations into account and intensify its consultations with host countries.

30. **Mr. MAGARIÑOS** (Director-General) said that, as a result of the considerable progress made in implementing the field representation programme during the six-week period since distribution of the report on that item (IDB.20/16), it had been felt necessary to issue a supplementary note with updated information for the Board (IDB.20/CRP.4). Because of time constraints, the draft agreements sent to countries for signature had been based on the models prepared by the previous administration. Those forms of agreement would not be used in the future. He particularly wished to draw Member States' attention to the role performed by UNIDO as the leading specialized agency in the development of the United Nations resident coordinator system.

31. **Ms. ALEMAYEHU** (Observer for Ethiopia) said that her delegation wished to commend the Director-General for his report on the Second Industrial Decade for Africa (IDB.20/12) and his commitment to UNIDO's contribution to the industrialization of the African countries. Ethiopia fully supported the efforts made to organize a donors' conference and to establish a special fund for promoting the growth and expansion of small- and medium-scale industries. Those were important steps in the implementation of the Business Plan.

32. The continued implementation of the Second IDDA programme and the Plan of Action for the Alliance for Africa's Industrialization, as called for in General Conference resolution GC.7/Res.5 and Board decision IDB.17/Dec.4, and the successful implementation of the Business Plan depended on the availability of adequate human and financial resources. However, only six per cent of the overall contributions had been allocated to the IDDA. Decentralization of activities, as provided for in the Business Plan, required a level of field activities and assignment of staff which were currently unattainable. Experience with the pilot countries showed that the Organization could not cover more than 10 countries per year. The operational budget should accordingly be expanded to cover at least all African and least developed countries and to ensure the full implementation of the Second IDDA.

33. Her delegation was encouraged by the recent voluntary contributions made to the Industrial Development Fund (IDF) by the Governments of Belgium, Denmark, Germany and Japan, and called upon others to follow suit.

34. **Mr. STEPANEK** (Observer for the Czech Republic) said that the Director-General's strong commitment to strengthening UNIDO's field representation and regional presence was to be commended. It was not only an important part of the Business Plan but also a step forward in the overall process of reform of the United Nations. His delegation was particularly pleased to note that UNIDO Representatives were involved in the United Nations country teams engaged in the United Nations Development Assistance Framework (UNDAF) pilot phase, and welcomed the collaboration agreement recently concluded between UNIDO and UNDP.

35. The full integration of the specialized agencies in UNDAF was hampered by a number of institutional obstacles. The position of development funds and programmes reporting directly to the Economic and Social Council and that of the specialized agencies themselves within the United Nations system varied. Different working methods, financial rules, internal regulations and levels of decentralization and delegation of authority to the field would have to be reconciled in order to make UNDAF a success. UNIDO's effective participation in UNDAF, the United Nations resident coordinator system and the preparation of country strategy notes could serve as an example for other agencies to follow.

36. Fostering an international organization's field presence did not necessarily mean increasing the number

or size of its field offices. Other mechanisms currently available included specific agreements with public and private bodies and electronic networking. Bearing in mind the scarcity of UNIDO's resources, his delegation recommended that the Organization pursue alternative means of field representation to complement its traditional forms. Such new forms of representation should be in keeping with UNIDO's mandate and take due account of its financial constraints in order to avoid any negative impact on the budget or additional burden on Member States.

37. **Mrs. ESPINOZA PATIÑO** (Observer for Bolivia) said that UNIDO's approach with regard to the issue of field representation should ensure effective interaction and coordination between Headquarters and the field offices. She recalled in that connection Board decision IDB.19/Dec.4 requesting the Director-General to continue his consultations with Member States on the strengthening of field representation. Her delegation was fully prepared to participate in open discussions to define ways of increasing the efficiency of the field offices. While welcoming the Director-General's remarks concerning the informally circulated draft agreements setting out criteria for the payment of voluntary contributions, the Bolivian delegation agreed with the representative of Mexico that UNIDO should continue its efforts to contribute to the coordination of the United Nations field representation system.

38. **Mr. SIAGE** (Syrian Arab Republic) said that his delegation was appreciative of the efforts of the Director-General and his staff to transform UNIDO into an effective and efficient organization capable of meeting the challenges of the modern era. UNIDO had proved its ability not only to survive but also to evolve and play a decisive role in accelerating industrial development.

39. At its present session, the Board had the important tasks of evaluating what had been achieved so far and of giving new momentum to the decisions adopted at its last session and at the seventh session of the General Conference. His delegation supported the statements made on behalf of the Group of 77 and China, the African Group and the Arab Group.

40. His Government attached special importance to the excellent cooperation between Syria and UNIDO. The fruitful dialogue which had taken place during the Director-General's visit to his country had been an important step in strengthening that cooperation.

41. UNIDO had a variety of future tasks. Although obstacles were bound to arise, the Organization's objectives could be achieved with the will of Member States and the determination of the Secretariat and UNIDO's representatives in the field.

42. **Mr. FREEMAN** (United Kingdom), referring to the question of performance indicators, said that his Government was concerned that UNIDO should succeed in effectively and efficiently delivering services that were needed in developing countries and would contribute to the eradication of poverty as a long-term objective. At a time of resource constraints, national Governments and industry were evolving management techniques which included methods to permit the proper assessment of service delivery. The reform of the United Nations system as a whole, and of UNIDO in particular, would increasingly rely on such techniques. Appropriate evaluation measures needed to be devised, with targets that were quantifiable, transparent and objective. While applauding the Secretariat's efforts in that direction, his delegation believed that more needed to be done.

43. **Mr. MAGARIÑOS** (Director-General), replying to points raised, said that he was appreciative of the suggestions made by the representative of Hungary regarding the discussion of additional items, such as the role of technology transfer and the organization of industrial parks, within the context of the service modules. No changes would, however, be introduced into the service modules for the time being. With regard to the observations by the representative of Colombia concerning the marketing of the service modules in the various capitals, such a scheme was already being developed, for presentation in Africa, in collaboration with the Governments of the countries concerned. He would be grateful to the Latin American and Caribbean countries for their cooperation in undertaking a similar scheme in that region, and had already paid highly successful visits to Uruguay and Paraguay in that connection.

44. He regretted that it had not yet been possible for him to visit the Asia-Pacific region during the 11 months since his appointment. He intended to remedy that in the near future. Programmes for a number of Asian countries were being discussed with the Director of the Regional Bureau. Given the scarce resources available to UNIDO, it was not possible to satisfy all requests from all countries; there was a need to prioritize. He hoped to be able to report to the next session of the Programme and Budget Committee on a series of integrated programmes for the Asian and Pacific and the Latin American and Caribbean regions. That would also be an opportunity to hold a meeting with the Asian Group in order to review the work agenda.

45. The concerns expressed by the representative of Austria regarding the need for a gender balance in staff recruitment would be taken into account and attempts made to improve the relative position of women employees in the Organization, in line with staff career development criteria and the regulations laid down.

46. On the question of field representation, he agreed with the observer for the Czech Republic that it was not necessary to have an office in every country in order to enhance the presence of a multilateral organization. The approach followed by UNIDO, as reflected in the memorandum of understanding signed with UNDP, was to harmonize administrative procedures and financial mechanisms and to make use of shared premises for the Organization's field operations. UNIDO was making every effort to assume a leading role in the UNDAF programme. The budget approved at the last General Conference session was insufficient to administer 30 field offices, which was why representatives had not yet been appointed to the offices which had been opened. He would bear in mind the comments of the observer for Haiti when planning UNIDO's activities in the Caribbean area. More imaginative ways had to be found for dealing with the issue of funding, such as cost sharing. Above all, the approach adopted needed to be realistic. It was essential to ensure high-quality programmes in the field, not simply to have the United Nations flag flying.

47. While he agreed with the representative of China that Administrative Instruction 10 called for greater detail, he wished to point out that that document was simply a framework. Discussions were in progress with the staff concerning the introduction of a new evaluation and performance monitoring system. He would report on the issue in the coming months.

48. He invited the representatives of Mexico and Bolivia, who had expressed concern about the handling of the field representation programme, to submit their suggestions and views in writing. Perhaps there was a certain communication problem on what needed to be done in that area. It was the responsibility of the Secretariat to decide where and how UNIDO would be represented in the field, without reference to any considerations other than the reasonable views put forward by delegations. It was a micro-management issue which did not require any vote by the Board.

49. The reference by the representative of Poland to the need for a balance between stability and reform in UNIDO was a very pertinent point. The Organization was now arranging three-year staff contracts in most cases; that represented an important contribution to the stabilization of the framework within which UNIDO operated.

50. He endorsed the proposal by the representative of Japan for the establishment of an intersessional working group to discuss the design and impact of UNIDO's programmes, and welcomed the views expressed by the representative of the United Kingdom regarding performance indicators. The fostering of such dialogue would assist in the mobilization of voluntary contributions for development cooperation.

The meeting rose at 11.55 a.m.

Annex

SUMMARY OF A STATEMENT ON AGENDA ITEMS 4-6 SUBMITTED IN WRITTEN FORM ONLY

The statement summarized below was not delivered orally but submitted in written form only.

The representative of the GERMAN ACADEMY OF AGRICULTURE (DEULA-NIENBURG) said in his written statement that DEULA-Nienburg was a non-profit-making institution specializing in training in the field of agro-industry, with particular emphasis on developing countries and countries with economies in transition. Against the background of a highly competitive globalized economy, the agro-industrial sector was an important field for those countries and the development of strategies and policies to enhance competitiveness in that sector was crucial.

UNIDO's new focus on that field, particularly with regard to the organization of partnership networks at both the national and regional levels, was highly welcome. Those networks should include not only private industry and business associations but also research and development and training institutions.

DEULA-Nienburg believed that UNIDO could play a vital role in that sphere by providing a global policy forum to facilitate dialogue between the public and private sectors, industrial associations, and academic, training and other relevant institutions for the benefit of the developing countries and transition economies.